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United Arab Emirates

Market Development Reports

U.S. Agricultural Exports to the GCC-5 Climb Again in 2000

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Report Highlights:
The value of U.S. agricultural product exports in 2000 to the five countries covered by the U.S. Agricultural Trade Office in Dubai grew for the third consecutive year to set a new record of over $335 million. While our rate of growth of over 8% versus 1999 exports was impressive, there is a lot more market share to be gained.

Includes PSD changes: No
Includes Trade Matrix: No
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Another Jump in U.S. Agricultural Exports to the GCC-5

Driven by record sales of agricultural products to the United Arab Emirates, U.S. exports to the GCC-5 - Bahrain, Kuwait, Oman, Qatar and the UAE - reached yet another record of $335 million in 2000 on a U.S. FOB basis. This is the third consecutive year of growth in U.S. agricultural exports to this block of small, yet relatively wealthy Gulf nations. Though U.S. consumer-ready food product sales set records in three of the five countries covered by the U.S. Agricultural Trade Office in Dubai, overall U.S. agricultural product exports to the countries of Bahrain, Kuwait, Oman, Qatar actually declined from export levels registered in 1999. Here's a synopsis of important factors affecting U.S. agricultural exports for each of the GCC-5.

Bahrain

In the case of Bahrain, exports of U.S. agricultural products in 2000 fell by more than $14 million from 1999's record of $27 million. The reason for the decline is that there were essentially no bulk grain sales of wheat and corn and, more significantly, vegetable oil exports fell by more than $10 million in value with the closing of the Savola plant in Manama.
The bright spot in year 2000 exports was that the U.S. has never before sold more value-added food products, and this category of exports including frozen chicken, snack foods and fresh fruit exceeded $10 million.

Kuwait

U.S. exports of wheat and vegetable oil fell dramatically in 2000 compared to 1999, but consumer-ready products set a new record. Sales of fresh vegetables, snack foods and almonds were markedly higher.

Oman

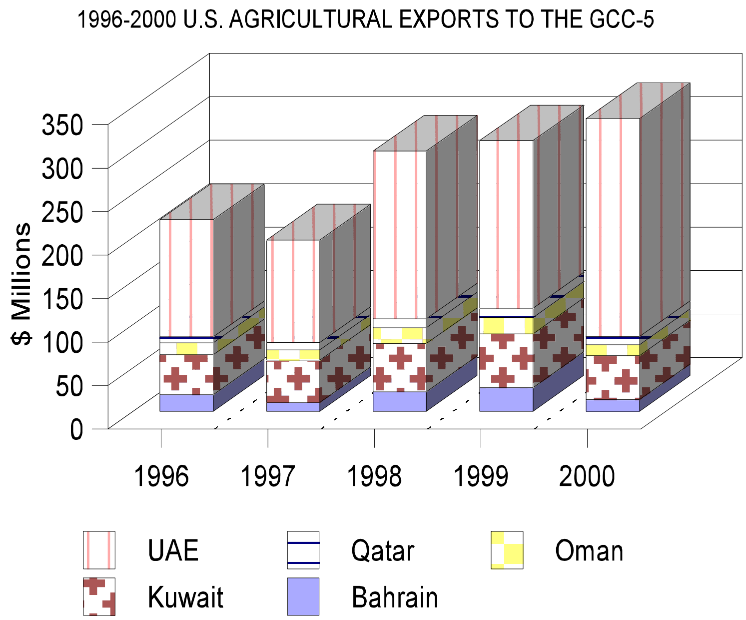
As in Bahrain and Kuwait, the overall decline in agricultural product sales of U.S. to Oman in 2000 is explained by a sharp drop in grain and cooking oil exports. We sold more chicken, eggs and meat than in 1999 but not nearly enough to compensate for the aforementioned decline.

Qatar

U.S. agricultural product sales which had reached a record of close to $11 million a year earlier tailed off in 2000. Breakfast cereal and beverage base exports grew markedly, but sales of processed fruits and vegetables and almonds were much reduced.

United Arab Emirates

U.S. agricultural product exports were strong across the board and exceeded 1999's record level by close to $60 million. Unprecedented purchasing of thoroughbred race horses with exports valued at over $77 million, tree nuts especially almonds, fresh fruit, and beverage bases led the way. Hardwood lumber sales have also never been higher. As in the rest of the region, the value of vegetable oil sales was down significantly.



A Few Reasons Why 2000 Sales Weren't Better

Year 2000 grain sales were off in all markets except the UAE. In 1999 we sold corn and a few wheat shipments to the other GCC countries, but U.S. corn was relatively more expensive in 2000 and Bahrain and Kuwait reverted to their traditional supplier, Australia, for their wheat needs.

As noted above, U.S. vegetable oil sales, mostly comprised of corn oil, were substantially reduced from 1999 levels. The reasons for this decline were the lower international vegetable oil prices in general in addition to the fact that there were U.S. corn oil shipments which were routed through Rotterdam (which are not reflected as direct U.S. to UAE exports).

2001 Outlook

There are a lot of reasons to be bullish on prospects for further growth in U.S. agricultural product sales to the GCC-5 in the course of this year. The dollar is not likely to appreciate further than its current strength vis-a-vis currencies of most competitors. Oil prices remain high so government revenues and subsequent public spending should strengthen. With the EU's problems with BSE and the EU and other suppliers' problems with Foot-and-mouth disease, the past few months have ushered in a big opportunity for U.S. suppliers to build upon sales to just the top end of the hotel market. As some substitution has taken place to poultry products, U.S. suppliers will also benefit.

U.S. chicken parts, particularly leg quarters, are being shipped in growing volumes.

For bulk grains, the U.S. will continue to make at least occasional sales of wheat to markets in the region, and exports of corn for animal feed should regain their usual steady though limited pace. As with a range of other goods, supply is very competitive, especially for wheat. Also, it always should be kept in mind that the countries of the Arabian Gulf are heavily dependent on agricultural commodities and food products. They have relatively high per capita disposable income levels and a generally favorable impression of the quality of U.S. products. So, our marching orders are clear: differentiate and distinguish U.S. products whenever possible. On the other hand, there are still calls by some religious groups to boycott American food products. Because of a perceived U.S. role against Arab interests. While the effects of this call seemed palpable in the November/December 2000 period, if the Middle East conflict widens, more consumers in the area would be likely to heed these appeals.